

Message Text

SECRET

PAGE 01 LISBON 01726 041420Z
ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 EB-03 TRSE-00 OMB-01 INR-05 NSC-05
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FM AMEMBASSY LISBON
TO SECSTATE WASHDC 0415
INFO AMEMBASSY BONN
AMEMBASSY BERN
AMEMBASSY BRUSSELS
USMISSION EC BRUSSELS
AMEMBASSY CARACAS
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY PARIS
USMISSION OECD PARIS
AMEMBASSY OTTAWA
AMEMBASSY OSLO
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY TOKYO
AMEMBASSY VIENNA

S E C R E T LISBON 1726

LIMDIS

E.O. 11652: GDS
TAGS: ECON, EFIN, PO, EAID
SUBJ: ECONOMIC ASSISTANCE FOR PORTUGAL

REF: LISBON 1639 (NOTAL)

1. ECON COUNSELOR MET WITH BANK OF PORTUGAL VICE GOVERNOR
VITOR CONSTANCIO MARCH 3 TO DISCUSS PROPOSED MULTILATERAL
CONSORTIUM LOAN FOR PORTUGAL. CONSTANCIO REPORTED THAT
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PAGE 02 LISBON 01726 041420Z

HIS TRIP TO BONN HAD BEEN DISAPPOINTING. HE MET FIRST
WITH DR. POEHL OF GERMANY FINANCE MINISTRY. DR. POEHL
EMPAHSIZED THAT GERMAN PARTICIPATION IN CONSORTIUM
WOULD REQUIRE POLITICAL DECISION, IMPLYING THAT SUCH
DECISION MUST COME FROM PRIME MINISTER SCHMIDT. PORTU-
GUESE PRIME MINISTER MARIO SOARES TELEPHONED SCHMIDT
IN ATTEMPT TO ARRANGE A MEETING BETWEEN SCHMIDT AND

CONSTANCIO (REFTEL). BECAUSE GERMAN COUNCIL OF MINISTERS WAS THAT DAY REVIEWING ITS PENDING BUDGETARY SUBMISSION, SCHMIDT WAS UNABLE TO MEET WITH CONSTANCIO. INSTEAD, THEREFORE, CONSTANCIO MET WITH ONE OF SCHMIDT'S ASSISTANTS. THIS CONVERSATION WAS ALSO INCONCLUSIVE.

2. PRIOR TO VISITING GERMANY CONSTANCIO TRAVELLED TO LONDON ON FEB 24 TO MEET WITH IMF MANAGING DIRECTOR H. JOHANNES WITTEVEEN. CONSTANCIO BRIEFED WITTEVEEN ON PORTUGUESE ECONOMIC MEASURES THAT WERE TO BE ANNOUNCED THE FOLLOWING DAY. ON THE BASIS OF THAT INFORMATION, WITTEVEEN STATED THAT GOP SHOULD BE ABLE TO COMPLETE FIRST TRANCHE STANDBY AGREEMENT IMMEDIATELY. SECOND TRANCHE AGREEMENT, HOWEVER, PROBABLY COULD NOT BE CONCLUDED UNTIL SEPTEMBER. BY THEN, HE REPORTEDLY SAID, HE HOPED PORTUGAL WOULD BE ABLE TO MAKE SOME ADDITIONAL POLICY ADJUSTMENTS, E.G. REMOVAL OF RECENTLY IMPOSED IMPORT QUOTAS.

3. ECON COUNSELOR STRESSED THAT ESTABLISHMENT OF CONSORTIUM SHOULD NOT BE VIEWED AS A PREDOMINANTLY OR EXCLUSIVELY U.S. EFFORT. INSTEAD, GOP MUST BE PREPARED TO LAUNCH A COORDINATED, AGGRESSIVE EFFORT IN SUPPORT OF THE CONSORTIUM. IT WAS AGREED THAT GOP SHOULD IMMEDIATELY BEGIN, OR TO REITERATE ITS APPROACHES TO, JAPAN, GERMANY, FRANCE, GREAT BRITAIN, AUSTRIA, SWITZERLAND, BELGIUM, NORWAY, SWEDEN, CANADA AND VENEZUELA. CONSTANCIO STATED THAT SOARES WOULD PARTICULARLY CONCENTRATE ON CONVINCING SCHMIDT DURING THEIR MEETINGS

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PAGE 03 LISBON 01726 041420Z

IN BONN NEXT WEEK. IT WAS ALSO AGREED THAT A PROMPT AGREEMENT IN PRINCIPLE TO PARTICIPATE FROM VENEZUELA OR NORWAY COULD HAVE SIGNIFICANT PSYCHOLOGICAL IMPACT ON OTHER POTENTIAL PARTICIPANTS. CONSTANCIO REPEATED PRIME MINISTER SOARES' EARLIER STATEMENT, HOWEVER, THAT GOP DOES NOT WISH TO INVOLVE THE ARAB COUNTRIES IN THE CONSORTIUM.

4. COMMENT: CONSTANCIO CLEARLY SEEMS TO HAVE BEEN GIVEN PRINCIPAL RESPONSIBILITY IN GOP TO COORDINATE PORTUGAL'S EFFORTS, BOTH TO GAIN MEMBERSHIP IN THE EC, AS WELL AS TO PROMOTE FORMATION OF THE CONSORTIUM. HIS DISCUSSIONS, AND PARTICULARLY HIS VISIT TO BONN, HAVE SENSITIZED HIM TO POTENTIAL PROBLEMS IN FORMING THE CONSORTIUM. HE FULLY REALIZES THAT SOARES MUST CONVINCE SCHMIDT TO PROMOTE GERMAN PARTICIPATION IN THE LOAN. HE ALSO UNDERSTANDS THAT PORTUGAL MUST ADOPT A MORE AGGRESSIVE, SUPPORTIVE ROLE FOR THE CONSORTIUM.

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